

Message Text

SECRET

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ACTION SS-25

INFO OCT-01 ISO-00 /026 W

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R 040638Z DEC 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 1661

INFO AMEMBASSY ABU DHABI

AMKONSUL DHAHRAN 1954

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY TEHRAN

S E C R E T KUWAIT 5205

EXDIS

E.O. 11652: GDS

TAGS: ENRG EINV KU

SUBJ: KUWAIT-GULF/BP RELATIONS; OR, EVERYBODY LOSES.

SUMMARY: GULF OIL REPS VISITED KUWAIT TO COMPLAIN ABU DHABI DECISIONS ON OIL PRICES WOULD MAKE IT IMPOSSIBLE FOR COMPANY TO MAKE PROFIT ON CRUDE OIL SALES. KUWAITI MINFINANCE & OIL BLAMED ARAMCO PARENTS FOR OUTCOME AT ABU DHABI AND OFFERED NO RELIEF TO GULF. NOW THAT YAMANI HAS INDICATED SAG WOULD ACQUIRE 100 PERCENT OF ARAMCO, PROSPECTS THAT GOK WILL SWALLOW REMAINING 40 PERCENT OF KUWAIT OIL COMPANY BY NEXT SUMMER ARE GREATLY ENHANCED. END SUMMARY.

1. THERE WERE SOME PRETTY UNHAPPY PEOPLE IN TOWN LAST WEEK. A GULF OIL CORP TEAM HEADED BY HERB HANSON AND H.I. GOODMAN, CAME TO TELL ATEEQI THAT IF KUWAIT AGREED TO FIGURES ARRIVED AT AT ABU DHABI CONFERENCE, GULF COULD NO LONGER SELL ANY CRUDE AT PROFIT. THEY LATER CALLED ON ME TO TELL ME ATEEQI GAVE THEM TEA BUT NO SYMPATHY.

2. WHEN I SAW ATEEQI, HE WAS IN DARK MOOD. "IT IS ALL FAULT OF YOUR COMPANIES IN SAUDI ARABIA," HE SAID. " THEY MADE YAMANI

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MAD AND NOW SEE WHAT HAS HAPPENED. OF COURSE WE HAVE NO CHOICE

NOW BUT TO GET WHAT YAMANI GETS." ATEEQI RECALLED HAVING TOLD COMPANIES (GULF AND BP) "LONG TIME AGO" THAT MAJOR CHANGES IN COMPANIES' ARRANGEMENTS WITH PRODUCER GOVERNMENTS WERE AFOOT, AND COMPANIES WOULD HAVE TO DO SOME DRASTIC NEW THINKING. "I TOLD THEM THEN THAT GUARANTEED ACCESS TO THEIR CRUDE REQUIREMENTS AND A DIFFERENTIAL OF 50 CENTS A BARREL WOULD PROVE TO BE A GOOD DEAL FOR THEM. NOW THEY WILL BE LUCKY TO GET THE CRUDE AT PRICES EVERYONE ELSE HAS TO PAY. AND THEY WILL HAVE TO MAKE THEIR PROFITS DOWNSTREAM," HE CONCLUDED.

3. I ASKED ATEEQI WHAT HAPPENED TO HIS SOLEMN PRONOUNCEMENTS TO ME ON MANY OCCASIONS ABOUT THE SANCTITY OF OLD FRIENDSHIPS WITH GULF AND BP. "WE DIDN'T WANT IT TO TURN OUT THIS WAY", HE ANSWERED GLOOMILY.

4. COMMENT: THE CURRENT MARCH OF EVENTS SEEMS TO HAVE MADE NEITHER SIDE IN KUWAIT HAPPY. ON ONE HAND KUWAITIS REMAIN INTERESTED IN PRESERVING SOME BUILT-IN ASSOCIATION WITH COMPANIES (AS LONG AS THEY DO NOT LOSE ANY MONEY THEREBY), BUT THE FORCED PACE AT WHICH SAUDI ARABIA APPEARS TO BE MOVING IS MAKING THIS A VERY DIFFICULT COURSE TO PURSUE. ON OTHER HAND GULF (AND BP) IS INDEED SKATING ON THE THIN EDGE, AT LEAST IN THEORY. ITS PROFITS ON CRUDE DO INDEED DRY UP UNDER ABU DHABI PRICING. MOREOVER, IF KUWAITIS TAKE OVER 100 PERCENT OF KOC, THERE IS AS PRACTICAL MATTER LITTLE TO PREVENT ANOTHER COMPANY SUCH AS SHELL, WHICH BUYS MUCH OF GULF'S KUWAITI PRODUCTION ANYWAY, FROM BUYING DIRECT FROM KUWAITIS AND ASSUMING RUNNING OF KOC UNDERSERVICE CONTRACT, THUS LEAVING GULF TOTALLY HIGH AND DRY. YAMANI'S REPORTED COMMENTS IN BAHRAIN A COUPLE OF DAYS AGO PREDICTING ARABS WILL HAVE TOTAL OWNERSHIP OF THEIR OIL BY END OF THIS YEAR, MAKE 100 PERCENT TAKEOVER IN KUWAIT A MUCH ENHANCED POSSIBILITY.

5. ANOTHER GULF GROUP -- HEADED BY HILL BONIN WHO HAD JUST ASSUMED CHARGE OF GULF'S MIDDLE EAST OPERATIONS -- WAS ALSO IN TOWN LAST WEEK. CHARGED BY GULF PRES BOB DORSEY TO LOOK INTO JOINT VENTURES WITH KUWAIT AND OTHER PRODUCERS IN ALL PROMISING FIELDS, NOT NECESSARILY RELATED TO OIL, BONIN WAS IN BETTER SPIRITS THAN HIS GULF COLLEAGUES,(A STATE OF MIND DO DOUBT ATTRIBUTABLE TO HIS HAVING NOT SERVED IN MIDDLE EAST BEFORE). I TOLD HIM I

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WAS SURE HE WOULD SOON DISCOVER KUWAITI INTEREST IN JOINT VENTURES WITH AMERICAN INDUSTRY, ESPECIALLY IN THIRD COUNTRIES. COMPANIES WHICH WERE TRUSTED AND WELL KNOWN IN THIS AREA, SUCH AS GULF, I ADDED, SHOULD FIND THEMSELVES WITH A HEADSTART IN THIS PROMISING AREA OF US-KUWAITI ECONOMIC COOPERATION.

6. COMMENT: PRESENTLY THERE AT LEAST THREE SEPARATE AREAS WHERE GOK SEEKING GULF COOPERATION AND AND/OR EXPERTISE. AS

NOTED IN ANOTHER MESSAGE GOK (I.E. ATEEQI) HAS ASKED GULF (AND BP) TO HELP SORT OUT CERTAIN PROBLEMS WHICH HAVE EMERGED IN CONNECTION WITH LPG PROJECT (SEE KUWAIT 5132). IN ADDITION GOK AND GULF ARE TALKING ABOUT ETHYLENE PETROCHEMICALS PROJECT. GULF SUBSIDIARY, GULF REALTY CORPORATION, MAY PARTICIPATE IN SOME LARGE REAL ESTATE VENTURES GOK AND OTHER KUWAITIS INVOLVED WITH. MOREOVER IN QUIET WAY BOTH GULF AND BP, THROUGH KOC, ARE COOPERATING WITH GOK ON TECHNICAL PETROLEUM MATTERS WHICH ARE SIGNIFICANT BUT UNLIKELY TO COME TO ATTENTION OF OTHERS NOT INVOLVED. IT IS TO BE HOPED LARGER POLITICAL/ECONOMIC DEVELOPMENTS IN REGION SUCH AS NATIONALIZATION ILL NOT OVERWHELM AN OTHERWISE POTENTIALLY PRODUCTIVE RELATIONSHIP BETWEEN GULF AND GOK IN NEW DIRECTIONS.

7. POSTSCRIPT: CATCHING ATEEQI FOR A MINUTE AT FUNCTION DEC 2, AFTER HIS RETURN FROM OAPEC MEETING IN BAHRAIN, I ASKED HIM HOW SOON KUWAIT WOULD FOLLOW SAUDI LEAD IN ACQUIRING 100 PERCENT OWNERSHIP OF ARAMCO. ATEEQI REPLIED "YOU KNOW MY FEELING ON THAT SUBJECT BUT YOU ALSO KNOWN OUR NATIONAL ASSEMBLY." STOLTZFUS

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, ECONOMIC CONDITIONS, PROFITS, TECHNICAL ASSISTANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 04 DEC 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974KUWAIT05205
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740351-0415
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741262/aaaacasv.tel
Line Count: 135
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 26 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 JUN 2002 by boyleja>; APPROVED <19 MAR 2003 by izenbei0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KUWAIT-GULF/BP RELATIONS; OR, EVERYBODY LOSES. SUMMARY: GULF OIL REPS VISITED KUWAIT TO COMPLAIN ABU DHABI
TAGS: ENRG, EINV, KU, GULF
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005